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Dee May
Director
Federal Regulatory Issues

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June 27, 1996

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

RECEIVED
JUN 27 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY


Re: CC 96-98 Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

Dear Mr. Caton:

Please find attached some information requested by Mr. James Casserly of Commissioner Ness' office regarding the NYNEX Resale Tariff which will be filed July 1. This information was requested in reference to the resale issues being addressed in CC 96-98.

Please contact me if you have any questions.

Sincerely,



Attachment

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Dee May
Director
Federal Regulatory Issues



June 27, 1996

Mr. James L. Casserly
Senior Legal Advisor
Commissioner Susan Ness' Office
Federal Communications Commission
1919 M Street, Room 832
Washington, DC 20554

Re: CC 96-98 Implementation of the Local Competition Provisions in the Telecommunications Act of 1996

Dear Jim,

As you requested, please find attached a brief outline of the cost methodology used in the NYNEX Resale Tariff filing to be made next week with the NYPSC for effect October 1, 1996 regarding our proposed rates for resale. If you require more detail, I would be happy to provide you with the testimony filed with the NYPSC that outlines in greater depth the cost study.

Please do not hesitate to call if you have any questions or require any additional information.

Sincerely,


Attachment



NYNEX-NY
RESALE FILING

Tariff is being filed July 1, 1996 for effect October 1, 1996. There has been a collaborative resale effort which includes NYNEX, the NYPSC and the other CLECs. Some issues have been resolved and others will be resolved by the NYPSC in conjunction with their ruling on the NYNEX tariff filing. The NYNEX Tariff reflects those issues on which consensus was reached.

RESIDENTIAL:

SERVICE	10/1/96 % DISCOUNT	10/1/97 % DISCOUNT	10/1/98 % DISCOUNT
Basic Dialtone	13.6%	15.9%	18.9%
Non-Dialtone	6.5%	8.1%	9.5%
Weighted Average	8.0%	9.8%	11.5%

BUSINESS:

SERVICE	10/1/96 % DISCOUNT	10/1/97 % DISCOUNT	10/1/98 % DISCOUNT
Basic Dialtone	5.5%	6.5%	7.7%
Non-Dialtone	6.6%	8.0%	9.4%
Weighted Average	6.2%	7.5%	8.9%

Cost methodology follows.

Contact:
Dee May
NYNEX Government Affairs
202-336-7824

NYNEX-NY
RESALE TARIFF FILING
AVOIDED COST STUDY

I. COMPONENTS

A. There are 2 components:

1. Costs that can be displaced in connection with Total Service Resale of residence and business services. In a resale environment, the reseller will assume certain functions currently performed by NYNEX in the area of billing, ordering, trouble testing and sales. NYNEX will design, build and implement electronic interfaces and other support mechanisms between itself and the resellers.
2. Cost onsets.

II. METHODOLOGY

A. Uniform System of Accounts ("USOA") review:

1. Identified the functions that will be potentially avoided on a total resale basis. USOA does not allow for a service by service disaggregation.
2. Identified the functions that will not be avoided.

B. USOA account classifications and functions identified as being avoided:

1. Sales (Account 6612): Costs incurred in selling products and services. Included are the functional sales organizations in NYNEX that have the responsibility for selling NYNEX's products and services.
 - a) Business Direct Marketing
 - b) Residence Direct Marketing
2. Service Order Processing (Account 6623.2): Expenses associated with preparing, changing and handling customer related service orders. Additionally, expenses associated with collecting revenues and handling miscellaneous customer relations such as billing and account inquiry, annoyance call complaints and updating records are included. Avoided functions include:
 - a) Service Order Entry Operations
 - b) Account Inquiry
 - c) Demand Sales
 - d) Other Service Center Operations
 - e) Centralized Operations Group
3. Please note that some costs remain. NYNEX has estimated that 90% of the costs are avoided, but 10% remain. For example, misdirected call handling costs will remain. Costs associated with the annoyance call bureau remain since NYNEX will continue that function on behalf of the resellers and the Premises Management Information System (PREMIS)/Street Address Guide Bureau.
4. Customer Accounting (Account 6623.1): functions and activities associated with the issuance and mailing of customer bills. The following Customer Accounting functions are avoided:

- a) Bill postage and the end-user billing and collection function
 - b) Remittance
 - c) Accounts Operations
 - d) Customer Accounting Operations
5. Testing-Subscriber Trouble (Account 6533.21): expenses associated with receiving, recording and analyzing trouble reports; testing to determine the nature and location of reported trouble conditions; and dispatching repair personnel or otherwise initiating corrective action. Negotiations at the local level indicate differing needs amongst the resellers. In some instances, the resellers want the ability to report a customer trouble to NYNEX for the purpose of testing and in other instances the reseller wants the ability to test the trouble themselves. Functions avoided included the initial end user call reporting the trouble and the associated initial testing. Avoided costs include:
- a) Repair Service Answering
 - b) Customer Service Bureau
 - c) (Misdirected calls (21.2%) will continue to contact NYNEX initially and costs with turning back these calls will remain.)
6. Functions and associated costs that will remain include:
- a) Network Distribution Maintenance Operations
 - b) Maintenance Database Administration

III. IMPLEMENTATION COST ONSETS

- A. One- time Systems Development Costs: New information system programming that is required for the introduction of electronic interfaces for exchange of necessary resale service order, trouble reporting and testing, and billing information. These interfaces allow reseller to interface with certain NYNEX Operational Support Systems. Additionally, methods and procedures development work. Deliverables include.
- 1. Trouble Administration
 - 2. Customer Contact
 - a) New Order
 - b) Record Order
 - c) Change Order
 - d) Disconnect Order
 - 3. Billing
 - 4. Provisioning
 - 5. Credit/Collections
- B. On-Going Systems Maintenance Costs--ongoing operational costs associated with the interface systems
- C. Resale Customer Contact Center--processing of reseller orders that cannot flow through the electronic interfaces. Also will perform the on-going reseller account inquiry function.